

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 OPIC-03 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
SP-02 LAB-04 SIL-01 OMB-01 FTC-01 DOE-15 SOE-02
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P 101058Z SEP 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC PRIORITY 3234
INFO AMCONSUL DHAHRAN
USLO RIYADH

C O N F I D E N T I A L JIDDA 6484

E.O. 11652: GDS
TAGS: EGEN, EINV, SA
SUBJECT: STATUS REPORT ON JUBAIL PETROCHEMICAL PROJECT - SHELL
OIL COMPANY

REF: STATE 228204

1. EMBASSY APPRECIATES INFO REFTEL ON SHELL'S \$2.2 BILLION JOINT VENTURE WITH SAG IN JUBAIL.
2. THE PROBLEM REGARDING THE SNAIL-PACED SPEED OF SAUDI BUREAUCRACY IS A FAMILIAR ONE. OTHER US FIRMS HAVE DROPPED OUT, PARTICULARLY MARCONA AND SOUTHWIRE FOR SIMILAR REASONS. WHILE WE CAN UNDERSTAND THE IMPATIENCE OF US FIRMS AND THE RESPONSIBILITIES OF EXECUTIVES OF PUBLIC CORPORATIONS TOWARDS STOCKHOLDERS, WE SHOULD REMIND PERTINENT POTENTIAL INVESTORS THAT THE MOST IMPORTANT PREREQUISITES IN DEALING WITH THE SAUDIS IS PATIENCE AND PERSEVERANCE. IN MANY WAYS DOING BUSINESS HERE PARALLELS THE EXPERIENCE OF US BUSINESSMEN IN THE SOVIET UNION. THE ONLY DIFFERENCE IS THAT THE SAUDIS PRESENT A MORE AFFLUENT MARKET AND FINANCING IS NOT THE PROBLEM.

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3. DOING BUSINESS SUCCESSFULLY HERE IS A MATTER OF TACTICS. UNSEEMLY HASTE TO THE SAUDIS AND TO MOST ARABS IS AN UNPARDONABLE SIN AND DESPITE THE BENEFITS OF WESTERN EDUCATION EVEN THE HIGHEST OFFICIALS HERE HAVE A PERVERTED SENSE OF TIME.
4. WE BELIEVE THAT DESPITE THE SHIFT OF THE JUBAIL

PROJECT FROM PETROMIN TO THE MINISTRY OF INDUSTRY, THE SUPPLY OF CRUDE WILL BE ASSURED FOR A PROJECT SO IMPORTANT TO THE SAUDI INDUSTRIAL PLD THAT THE PETROMIN SUPPLY AGREEMENT WILL HOLD.

5. TO MAINTAIN US INTERESTS HERE WE SUGGEST THAT DEPARTMENT OFFICIALS URGE SHELL TO HANG ON. WE WELCOME ANY SUGGESTION FOR EMBASSY ASSISTANCE IN THIS KEY PROJECT AND HOPE THAT SHELL OFFICIALS VISITING SAUDI ARABIA WILL CONTACT US IN THIS REGARD. IT SHOULD BE NOTED THAT OUR EUROPEAN AND ASIAN COMPETITORS WOULD JUMP AT THE OPPORTUNITY TO REPLACE THE US FIRM IN THIS PROJECT.

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